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1961

UNITED WHELAN CORPORATION

Annual Report

UNITED WHELAN CORPORATION

Executive and General Offices: **82 39th Street, Brooklyn 32, N. Y.**

Branch Offices and Warehouses

910 West Jackson Blvd., Chicago 7, Ill.

610 South Main St., Los Angeles 14, Calif.

239-243 N. W. 28th St., Miami 37, Fla.

Board of Directors

Leo Bertisch

Charles Green

J. Raymond McGovern

William L. Pfeiffer

Ted M. Segal

Harry T. Silverman

Officers

Charles Green ..... *Chairman of the Board*

Leo Bertisch ..... *President*

Oscar C. Weitzberg ..... *Administrative Vice President*

F. Philip Gottfried ..... *Vice President and Comptroller*

Alvah K. Parent ..... *Vice President and Secretary*

Herman H. Goldstein ..... *Vice President*

John C. Hutsler ..... *Vice President*

Morton Bertisch ..... *Treasurer*

Charles J. Sewall ..... *Assistant Secretary and Assistant Treasurer*

April 10, 1962

To the Stockholders of
UNITED WHELAN CORPORATION

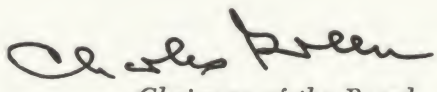
The Consolidated Financial Statements accompanying this Annual Report include operating results of Charles Stores Company, Incorporated, a wholly-owned subsidiary acquired during 1960, but exclude, as in prior years, those of Crawford Clothes, Inc., which was sold April 25, 1961. Essential information pertaining to profits, earnings per share of Common Stock and other pertinent data for 1961, on a comparative basis with the two previous years, is reported on page 4 under the heading of "Brief Comparative Highlights."

We wish to report that up to the current date, we have signed leases with builders and developers for five large one-stop shopping centers containing selling space varying from 64,000 to 125,000 sq. ft., with parking for 800 to 1,500 cars per location. The sites selected for these centers were New Hyde Park, L. I. (125,000 sq. ft.), Nanuet in Rockland County (125,000 sq. ft.), Staten Island, N. Y. (125,000 sq. ft.), Bethlehem, Pa. (80,000 sq. ft.) and Raleigh, North Carolina (64,000 sq. ft.). We were hopeful that at least one of these would have been in operation during the fall of 1961. We have been told that the zoning problems, previously encountered, are being resolved, and we should have two or three of these units in operation during 1962. It is our intention to operate these one-stop shopping centers under the trade style of "Charles." At this writing, we are negotiating a lease for approximately 80,000 sq. ft. in Winston-Salem, North Carolina.

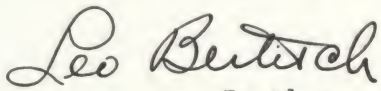
Agreements, in principle, have been approved by United Whelan Corporation and Consolidated Sun Ray, Inc. for the merger of the two corporations on the basis of 1 share of the present common stock of United Whelan Corporation for 1 share of the common stock of the merged corporation and 15 shares of the present common stock of Consolidated Sun Ray, Inc. for 1 share of the common stock of the merged corporation. The agreements will be subject to the approval of the stockholders of both corporations at meetings to be held in the near future. The attorneys are now formalizing contracts which are expected to be signed shortly.

On May 1, 1961, Mr. Benjamin S. Thaw resigned as Executive Vice President and Mr. Oscar C. Weitzberg was elected Administrative Vice President to replace Mr. Thaw. On January 31, 1962, Mr. Paul Olsen, Vice President, Treasurer and Comptroller, retired from active service after forty years, but is being retained by the Corporation as a consultant. Mr. F. Philip Gottfried, Vice President, Treasurer and Comptroller of Charles Stores Company, Incorporated, was elected Vice President and Comptroller, and Mr. Morton Bertisch was elected Treasurer of the Corporation, to succeed Mr. Olsen. Mr. Michael M. Katz, Vice President, resigned effective March 15, 1962.

This report is submitted on behalf of the Board of Directors.



Chairman of the Board



President

UNITED WHELAN CORPORATION AND CONSOLIDATED SUBSIDIARY COMPANIES

(Excluding Crawford Clothes, Inc.)

BRIEF COMPARATIVE HIGHLIGHTS

	1961	1960	1959
Sales and shipments to agents	$47,957,339	$50,852,383	$45,168,944
Net income before Federal income taxes	1,146,655	1,955,188	1,417,137
Federal income taxes(A)	225,000	—	—
Net income after Federal income taxes	921,655	1,955,188	1,417,137
Earnings per share (Common)	62¢	$1.34	96¢
Dividends paid (Common)	50¢	55¢	37½¢
Book value of Common Stock	$8.61	$8.45	$7.44
Shares of Common Stock outstanding at end of year	1,434,537	1,430,195	1,433,511
Ratio of Current Assets to Current Liabilities	3.6 to 1	3.2 to 1	2.8 to 1
Units in operation:			
United Whelan stores	107	113	120
United Whelan agencies	409	432	446
Charles Stores	28	31	—

(A) Reference should be made to the Comparative Consolidated Statement of Income and Earned Surplus, included elsewhere in this report, concerning Federal income tax reductions in 1961, 1960 and 1959, due to operating losses of Crawford Clothes, Inc. and its subsidiaries, and net operating loss carryovers.

ACCOUNTANTS' REPORT

To the Stockholders
UNITED WHELAN CORPORATION
New York, N. Y.

We have examined the consolidated balance sheet of United Whelan Corporation and consolidated subsidiary companies as at December 31, 1961, and the related consolidated statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and earned surplus, together with the notes to financial statements, present fairly the consolidated financial position of United Whelan Corporation and consolidated subsidiary companies at December 31, 1961, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & Co.

New York, N. Y.
March 19, 1962, except as to Note A,
which is as of March 27, 1962.

UNITED WHELAN CORPORATION AND

COMPARATIVE CONSOLID

As at December 31

ASSETS

	1961	1960
CURRENT ASSETS:		
Cash	$ 4,421,119	$ 3,779,031
Investments, at cost (market quotations approximate $619,000 and $167,000, respectively)	627,398	176,621
Accounts and notes receivable, and merchandise shipments to agents, less reserves—Note D	952,788	1,226,014
Inventories of merchandise and supplies, at cost or market whichever is lower	8,151,284	8,512,145
Prepaid insurance, taxes and rent	265,276	318,792
TOTAL CURRENT ASSETS	14,417,865	14,012,603
INVESTMENT IN CRAWFORD CLOTHES, INC., a wholly-owned unconsolidated subsidiary, at cost—Note B		478,134
OTHER ASSETS:		
Merchandise shipments to agents—Note D	192,800	225,775
Notes and accounts receivable due after one year, etc.	85,106	121,236
	277,906	347,011
FIXED ASSETS, at cost or less:		
Land, building and building improvements	114,599	114,599
Furniture, fixtures and equipment (includes approximately $1,800,000 and $1,600,000, respectively, on which depreciation provided is equal to asset)	4,761,520	4,854,207
	4,876,119	4,968,806
Less: Depreciation	3,372,892	3,323,192
	1,503,227	1,645,614
Improvements to leaseholds, less amortization	1,446,870	1,562,917
	2,950,097	3,208,531
DEFERRED CHARGES	131,109	140,996
	$17,776,977	$18,187,275

The accompanying notes are a

ONSOLIDATED SUBSIDIARY COMPANIES

TED BALANCE SHEET

961 and 1960

LIABILITIES

	1961	1960
CURRENT LIABILITIES:		
Notes payable to banks		$ 250,000
Accounts payable	$ 2,374,578	2,602,671
Taxes accrued and withheld, other than Federal income taxes	757,318	800,426
Accrued expenses and other liabilities	677,864	736,651
Federal income taxes—Note E	169,325	
TOTAL CURRENT LIABILITIES	3,979,085	4,389,748
DEFERRED CREDIT—unamortized excess of equity in net assets of a consolidated subsidiary company over investment therein—Note C	412,760	538,160
CAPITAL STOCK AND SURPLUS—Note F:		
Capital Stock:		
Convertible Preferred Stock, par value $100.00 a share, $3.50 dividend cumulative (each share exchangeable for four shares of Common Stock): Authorized—50,000 shares Issued —10,467 shares in 1961 and 12,000 shares in 1960	1,046,700	1,200,000
Common Stock, par value 30¢ a share: Authorized—3,000,000 shares Issued —2,307,388 shares in 1961 and 2,307,308 shares in 1960	692,216	692,192
Capital Surplus	6,179,958	6,104,099
Earned Surplus	9,689,889	9,522,788
	17,608,763	17,519,079
Less: Treasury stock, at cost—125 shares Convertible Preferred Stock and 872,851 shares Common Stock in 1961 and 340 shares Convertible Preferred Stock and 877,113 shares Common Stock in 1960	4,223,631	4,259,712
	13,385,132	13,259,367
LONG-TERM LEASES, CONTINGENCIES AND OTHER COMMENTS—Notes A, B and G		
	$17,776,977	$18,187,275

tegral part of this statement.

UNITED WHELAN CORPORATION AND CONSOLIDATED SUBSIDIARY COMPANIES

COMPARATIVE CONSOLIDATED STATEMENT OF INCOME AND EARNED SURPLUS

For the Years Ended December 31, 1961, 1960 and 1959

	1961	1960	1959
Net sales and shipments to agents—Note D	$47,957,339	$50,852,383	$45,168,944
Cost of goods sold, cost of shipments to agents and selling, general and administrative expenses, exclusive of depreciation and amortization—Note G	46,640,584	48,802,278	43,361,425
	1,316,755	2,050,105	1,807,519
Depreciation and amortization (exclusive of amounts applicable to real estate operations)	497,981	535,525	448,109
	818,774	1,514,580	1,359,410
Other income:			
Net gain on sales of securities—Note B	362,282	471,973	109,079
Dividends and interest	17,523	23,568	71,124
Miscellaneous	65,230	77,579	68,838
	445,035	573,120	249,041
	1,263,809	2,087,700	1,608,451
Other deductions:			
Loss from real estate operations (including depreciation and amortization of $53,973 in 1961, $56,468 in 1960 and $51,920 in 1959)—Note G	160,704	172,908	147,091
Miscellaneous	81,850	48,429	44,223
	242,554	221,337	191,314
	1,021,255	1,866,363	1,417,137
Amortization of excess of equity in net assets of a consolidated subsidiary company over investment therein—Note C	125,400	88,825	
Net income before Federal income taxes	1,146,655	1,955,188	1,417,137
Estimated Federal income taxes applicable to above income—Note E	599,000	850,000	710,000
Net income before Federal income tax reduction	547,655	1,105,188	707,137
Federal income tax reduction resulting from filing a consolidated Federal income tax return which includes deductible losses of Crawford Clothes, Inc. and its subsidiaries to April 25, 1961, and, in 1961 and 1960, consolidated net operating loss carryovers—Note E	374,000	850,000	710,000
Net income	921,655	1,955,188	1,417,137
Earned Surplus as at beginning of year	9,522,788	8,088,187	7,555,662
	10,444,443	10,043,375	8,972,799
Dividends on Convertible Preferred Stock	38,855	20,398	54,795
Dividends on Common Stock	715,699	500,189	829,817
	754,554	520,587	884,612
Earned Surplus as at end of year	$ 9,689,889	$ 9,522,788	$ 8,088,187

The accompanying notes are an integral part of this statement.

UNITED WHELAN CORPORATION AND CONSOLIDATED SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS

As at December 31, 1961

Reference should be made to previously issued Annual Reports for the Accountants' Reports and notes applicable to the consolidated financial statements as at December 31, 1960, and for the years ended December 31, 1960 and 1959.

NOTE A—PROPOSED MERGER WITH CONSOLIDATED SUN RAY, INC.:

On March 27, 1962, the Corporation's Board of Directors authorized in principle, subject to the approval of stockholders, a plan of merger with Consolidated Sun Ray, Inc., on the basis of one share of the Corporation's common stock for fifteen shares of common stock of Consolidated Sun Ray, Inc.

NOTE B—SALE OF INVESTMENT IN CRAWFORD CLOTHES, INC.:

On April 25, 1961, the Corporation sold its investment in Crawford Clothes, Inc., a wholly-owned subsidiary; the loss ($303,155) on such sale is netted against gains on sales of other securities in the accompanying consolidated statement of income and earned surplus. Subsequent to such sale, Crawford Clothes, Inc. filed a petition in bankruptcy and, in connection therewith, certain questions have been raised concerning dividends of $3,300,000 paid by that company to the Corporation in 1959. No formal claims have been asserted against the Corporation, and it is the opinion of counsel that such claims, if asserted, would be without merit.

Consistent with prior years' practice, the accompanying financial statements do not include the accounts of Crawford Clothes, Inc. and its subsidiaries.

NOTE C—DEFERRED CREDIT:

On April 15, 1960, the Corporation acquired all of the outstanding capital stock of Charles Stores Company, Incorporated. The excess of the underlying book equity as at the date of acquisition over the Corporation's investment therein (less costs applicable principally to closed stores) has been treated in the Corporation's consolidated financial statements as a "Deferred Credit." The latter is being credited to income ratably over five years from April 15, 1960, such period representing the approximate weighted average of the then remaining terms of the subsidiary's store leases.

NOTE D—MERCHANDISE SHIPMENTS TO AGENTS:

In accordance with the Corporation's established policy, net sales and shipments to agents, as shown in the accompanying consolidated statement of income and earned surplus, include amounts representing merchandise shipments to certain agents who operate retail outlets, ownership of which merchandise, under the terms of the agency agreements, remains with the Corporation until the merchandise is sold by the agents. Amounts owing by such agents for merchandise sold as at December 31, 1961, and the accountability of such agents as at that date for unsold shipments of merchandise (other than initial inventory allowances) together total $475,493, which amount is included in the accompanying consolidated balance sheet under Current Assets in "Accounts and notes receivable, and merchandise shipments to agents, less reserves." The initial inventory allowances, for which agents are not required to make settlement until the termination of the agency, are included under Other Assets.

NOTE E—TAXES:

The accompanying financial statements are subject to final determination of Federal, state and local taxes.

UNITED WHELAN CORPORATION AND CONSOLIDATED SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS—Continued

As at December 31, 1961

NOTE F—CAPITAL STOCK AND SURPLUS:

During 1961, the Corporation (a) purchased for its treasury 585 shares of its Convertible Preferred Stock and 16 shares of its Common Stock, (b) acquired 713 shares of its Convertible Preferred Stock in exchange for 4,278 shares of its treasury Common Stock, (c) retired 1,513 shares of its Convertible Preferred Stock held in treasury, and (d) converted 20 shares of outstanding Convertible Preferred Stock into 80 shares of Common Stock. As a result of the foregoing, Capital Surplus was increased by $75,859.

NOTE G—LONG-TERM LEASES, CONTINGENCIES AND OTHER COMMENTS:

The Corporation and its subsidiaries in the ordinary course of business lease substantially all store properties. At December 31, 1961, there were 106 leases expiring more than three years after that date for which the aggregate minimum annual rentals were approximately $2,160,000, including $720,000 applicable to four leases covering discount store premises to be occupied upon completion of construction. The majority of these leases provide for additional rentals based upon percentages of sales in excess of predetermined bases and upon other factors. Cost of goods sold, cost of shipments to agents and selling, general and administrative expenses include rent expense of $2,305,671, $2,322,306 and $2,135,763 in 1961, 1960 and 1959, respectively, and loss from real estate operations includes rent expense of $363,275, $469,187 and $482,375 in 1961, 1960 and 1959, respectively.

The Corporation is contingently liable with respect to guarantees of the obligations of others in the approximate amount of $175,000.

Counsel

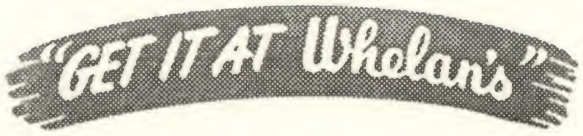
Aranow, Brodsky, Bohlinger, Einhorn & Dann, New York, N. Y.

Transfer Agent

Convertible Preferred Stock and Common Stock
The Marine Midland Trust Company, New York, N. Y.

Registrar

Convertible Preferred Stock and Common Stock
Chemical Bank New York Trust Company, New York, N. Y.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